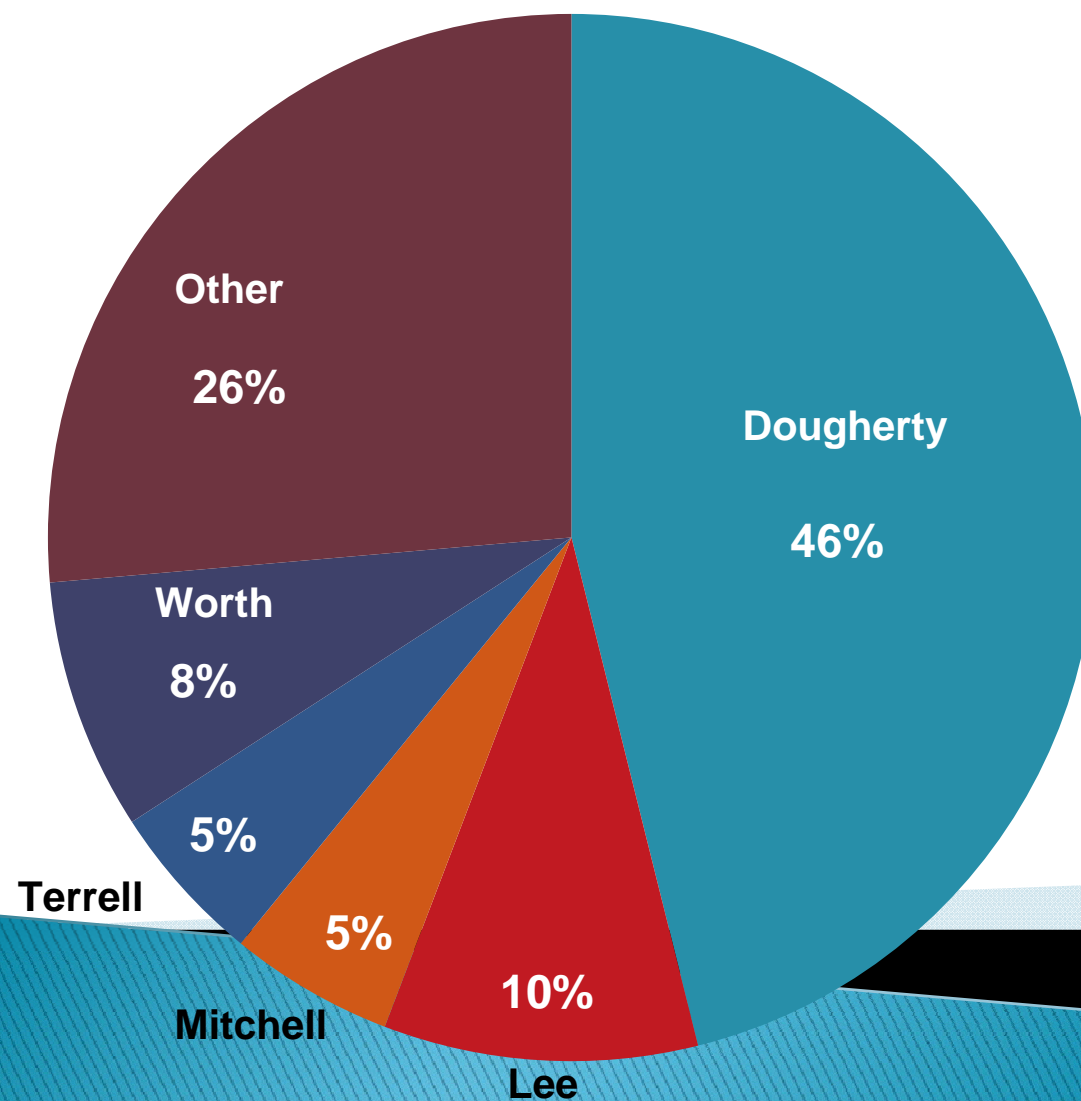


# EXHIBIT Q

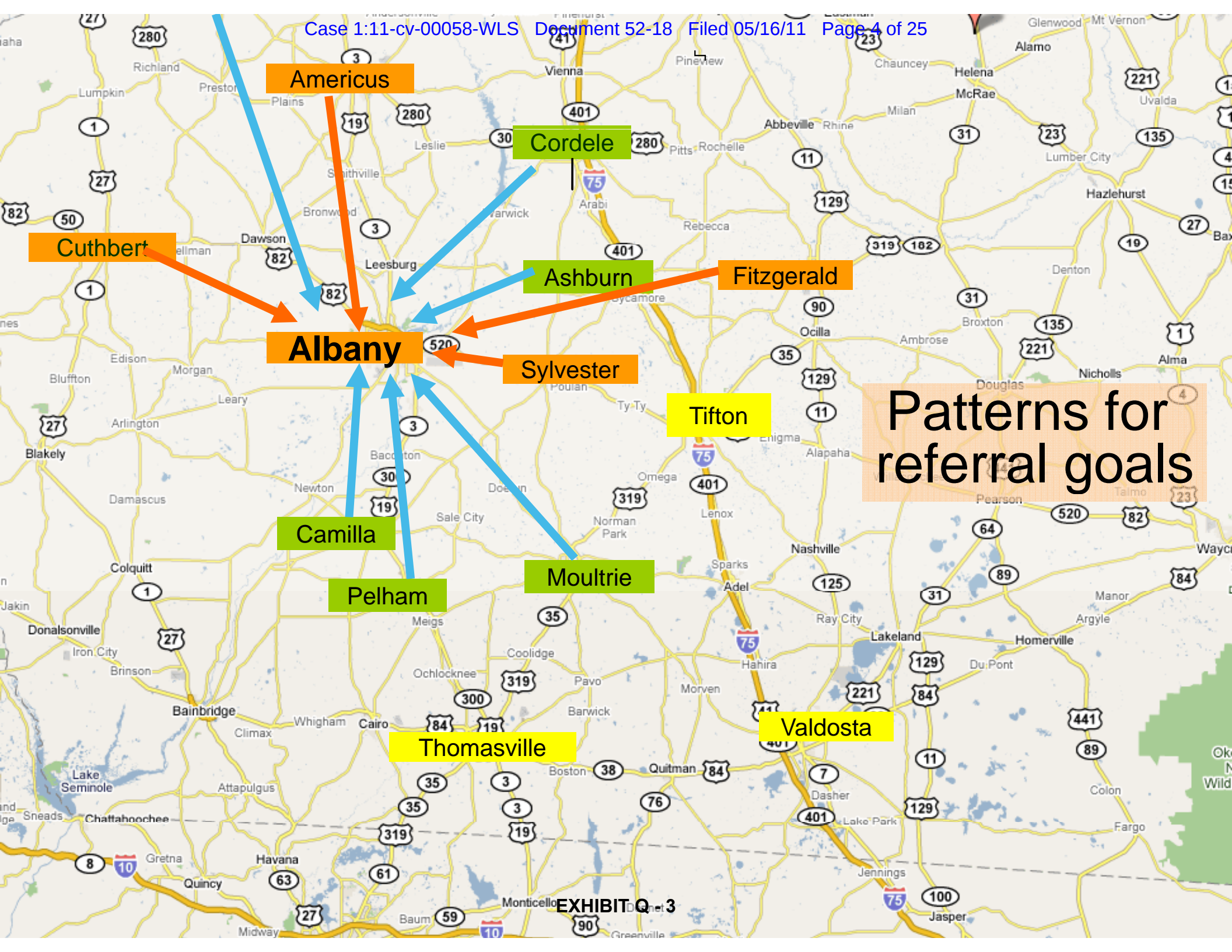
# An **Analysis** of **Hospital** **Consolidation**

# Caring for a Region Where Patients Live



Source: GA Discharge Data System;  
year ending 9/30/2010





**The Authority first asked the Administration to look into the possibility of buying Palmyra in 1987.**

## **Role of Hospital Authority**

- The Authority owns all assets and leased all assets to Phoebe Putney Memorial Hospital in 1990.
- The Authority monitors the compliance with lease terms through periodic reporting and audited financial statements.

# Role of Hospital Authority

- The Authority is appointed by the County Commission and is made up of respected members of the community:

**Ralph Rosenberg**, Chairman and retired Businessman

**Rev. H.B Johnson**, Friendship Baptist Church

**John Hayes**, County Commissioner

**Fred Ghiglieri**, Retired Procter & Gamble

**John Inman, MD**, Obstetrician

**Lamar Reese**, former County Commission Chairman and  
School Board Chairman

**Dr. Eugene Sherman, Jr.**, Albany State University Professor

**Stephen C. Wolinsky, DO**, Chief of Medical Staff, PPMH

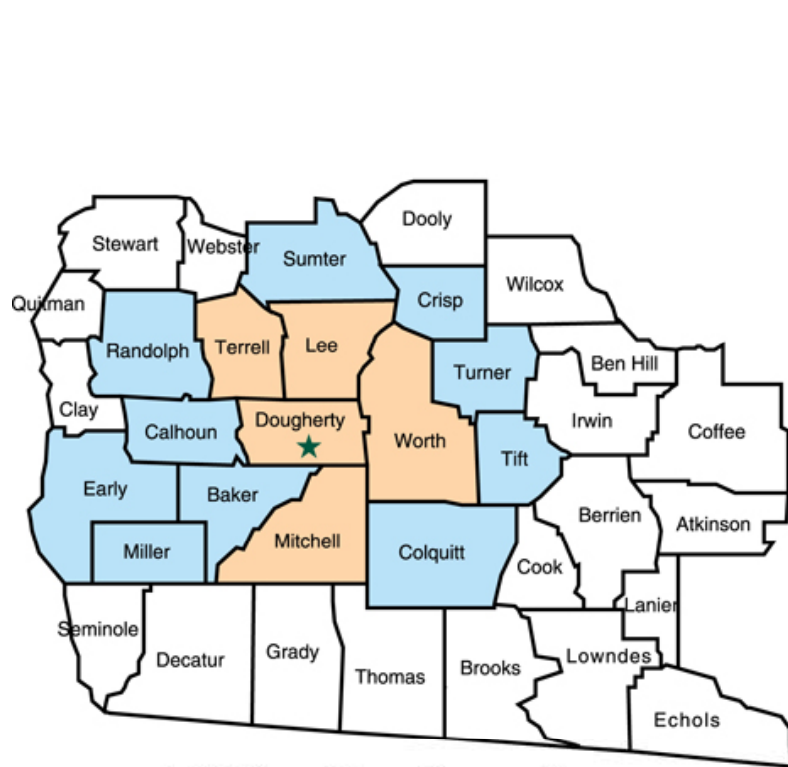
**Charles Lingle, DVM**, former County Commissioner



# Strategy for Growth:

## *Ensuring Access to Care is Local*

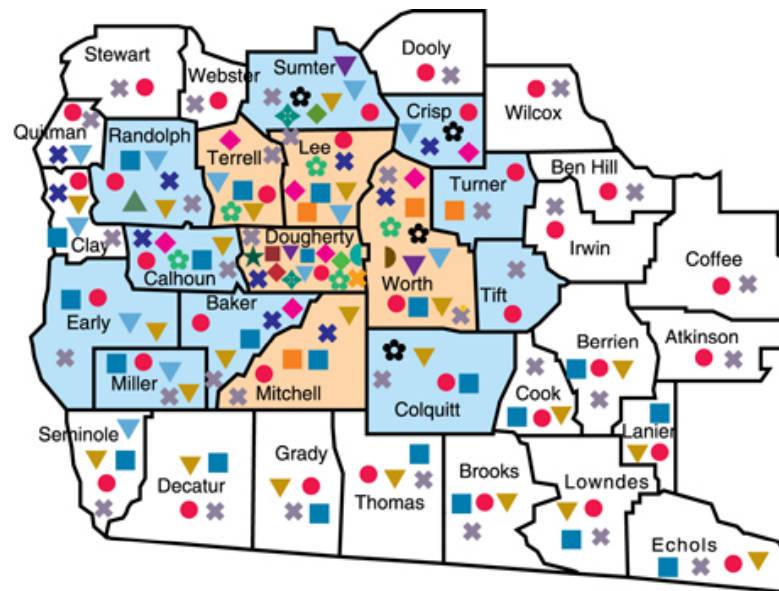
In 1990 the authority restructured to be able to deliver healthcare outside of Dougherty County. As a result, the Hospital Authority's assets have grown six-fold.



1990 - One Location



Primary Service Area  
Secondary Service Area



2010 - 35 Counties

- ★ Phoebe Putney Memorial Hospital
- ▤ Phoebe Worth Medical Center
- ◆ Phoebe Sumter Medical Center
- Phoebe Family Medical Centers
- ▲ Hospital Management Agreement
- ✿ Oncology Off-site Treatment
- ▼ Phoebe Home Care
- ✱ Hospice Service Area
- ◆ Phoebe Northwest - Physical Medicine, ConvenientCare
- ✱ Phoebe East - ConvenientCare
- ◆ MRI & Imaging of Albany
- ▼ Meredyth Place
- ▼ Neonatal Transport
- ✱ Critical Care Transport
- Morningside Assisted Living
- ◆ EKGs in EMS units
- ✱ Network of Trust
- Cancer Transport Services
- Perinatal Region Counties
- ▼ Phoebe Wound Care
- ◆ Phoebe Rheumatology

# Phoebe is the region's largest employer and biggest economic driver

1990 - **1,500 employees** at PPMH

Today - **4,300 employees**  
in Southwest Georgia

Wages - more than  
**\$225 million annually**



# Unmet Needs

*But even with growth there are areas where we have more demand for services than we can currently meet:*

- ▶ Not enough intensive care beds (on divert status average of 6 times monthly)
- ▶ Not enough rehab beds
- ▶ Neonatal Intensive Care at capacity and beyond

*Current hospital configuration does not allow for expansion.*

# Unmet Needs

*But even with growth there are areas where we have more demand for services than we can currently meet:*

- ▶ Dedicated robotic surgical area
- ▶ Growing medical education center needs space for students
- ▶ Patients want more private rooms

*Current hospital configuration does not allow for expansion.*

# How to address capacity issue?

Buy?

Build?



# Strategic Consequences

## Buy

- ▶ Can meet current demand quicker
- ▶ Immediate additional 250 licensed beds
- ▶ Avoidance of costly and disruptive construction
- ▶ Economies of scale
- ▶ Infrastructure
- ▶ Opportunity for Center of Excellence focus, such as a Trauma center

## Build

- ▶ Must invest heavily in existing campus w/o assurance of timely approval or addition of licensed beds
- ▶ Limited future economies
- ▶ Stunted future market share and job growth
- ▶ Delay in meeting current demands for expanded service
- ▶ Physical constraints of on-campus expansion



# A Strategic Decision: Palmyra Consolidation Process

- ▶ HCA is a willing seller.
- ▶ HCA required strict confidentiality during appraisal and negotiating process.
- ▶ Authority is an able and willing buyer.
- ▶ Authority will own the facility and operate it within the current organizational structure.
- ▶ Authority voted in a public meeting to purchase Palmyra on terms negotiated over several months.

# Buy or Build?

**Buy is more cost efficient by 2:1.**

	Cost	beds	Cost per bed
Palmyra	\$195 million	248	\$786,300
Phoebe Sumter	\$125 million	76	\$1,644,737



# Benefits of Consolidation

- ▶ Immediate addition of 248 beds to meet demand for high level services
- ▶ No negative impact on taxpayer. Phoebe will make voluntary payments to the county in lieu of taxes to prevent loss of local revenue.
- ▶ Assimilation of Palmyra workforce. Jobs remain in place.

# Benefits of Consolidation

- ▶ Pricing strategy remains below the medical CPI. Economies of scale will keep prices down.
- ▶ Future immediate growth for clinical areas
- ▶ Expedite trauma center designation
- ▶ More room for medical and nursing education



# Benefits of Consolidation

- ▶ Job creation as expansion of Phoebe services continue
- ▶ Local ownership and governance under not-for-profit reinvestment strategy
- ▶ More private rooms
- ▶ Development of central logistics center for system hospitals and other regional facilities

# Benefits of Consolidation

## Job Creation

Building a long-term acute care facility (**\$15 million**) would create up to

**300** new jobs

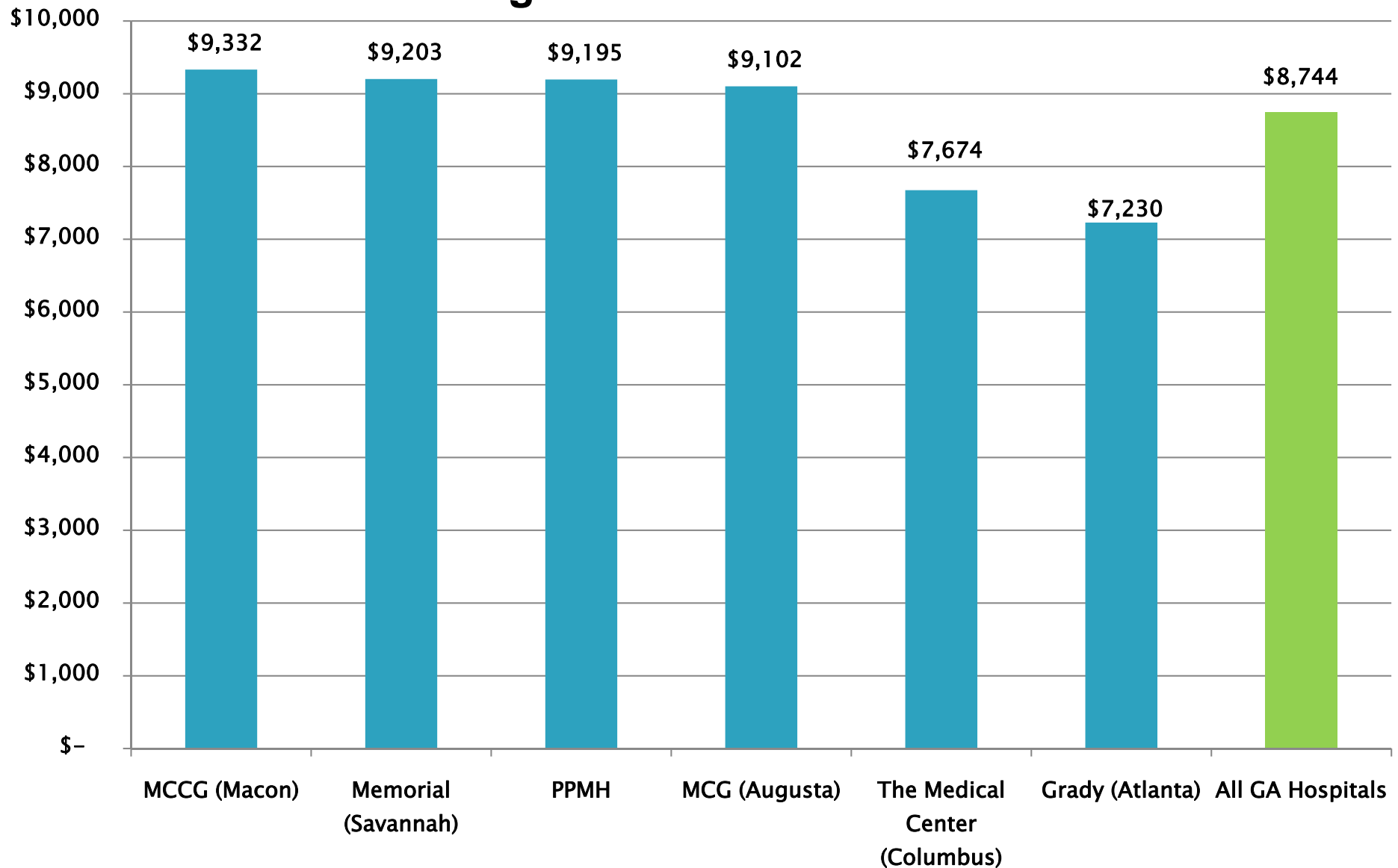


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# Pricing

- ▶ **Prices will be limited**  
by better efficiencies through economies of scale and by not-for-profit status in replacing an absentee-owned for-profit facility.

## 2010 Average Charge for Uncomplicated Vaginal Delivery Regional Perinatal Centers



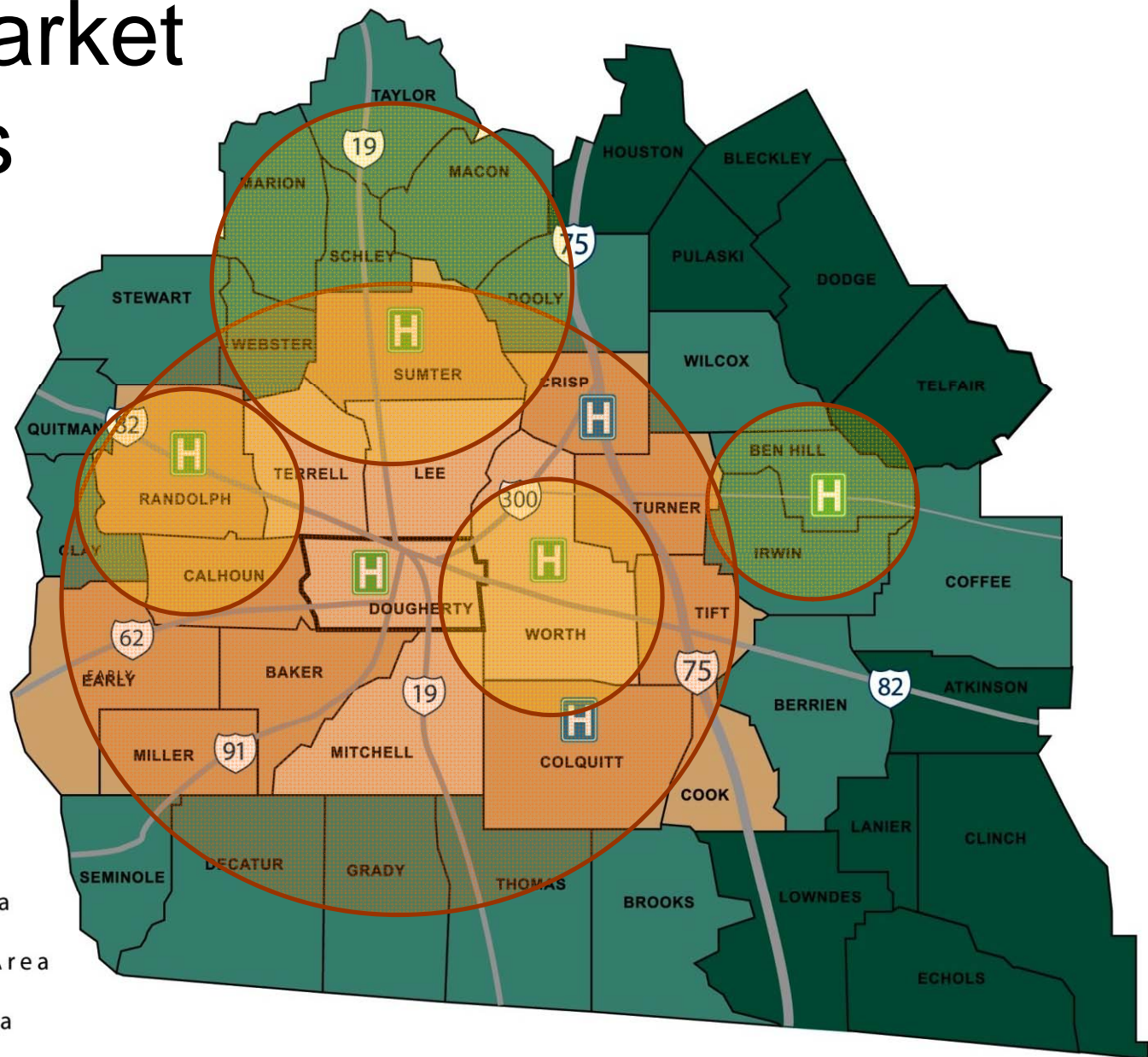
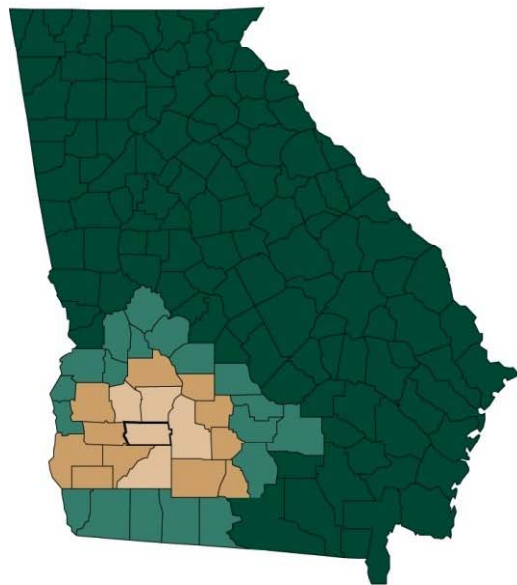
Source: GA Price Check, July 2009 - June 2010



# Impact on Palmyra Employees

- ▶ All eligible Palmyra employees will be hired and must meet Phoebe requirements for drug screen, background checks
- ▶ All will be signed up for Phoebe benefits
- ▶ No reduction in current pay rates
- ▶ No reduction in workforce planned

# Expanded Market Opportunities



- Phoebe Primary Service Area
- Phoebe Secondary Service Area
- Phoebe Tertiary Service Area



# Where is Transaction Today?

- ▶ Extensive due diligence
- ▶ Real estate title searches
- ▶ Transfer of multiple state and federal licenses
- ▶ Compliance with various federal and state regulations, Medicare, Medicaid and State Fire Marshal
- ▶ Joint Commission

# Future Outcomes

- ▶ Better health care in our region
- ▶ Continue to provide world-class medicine
- ▶ Control costs to lowest possible
- ▶ Grow employment
- ▶ Continue to be significant economic engine for Southwest Georgia



# Questions?